1970

HIGHLIGHTS

	1970	1969	% Change
Net sales	$1,827,341,000	$1,891,920,000	− 3.4
Income before extraordinary items	52,986,000	50,254,000	+ 5.4
Net income	52,986,000	27,804,000	+90.6
Per share of common stock and equivalent:			
Income before extraordinary items	1.83	1.73	+ 5.8
Net income	1.83	.96	+90.6
Dividends per share of common stock	1.20	1.20	—
Cash flow (net income plus depreciation)	91,585,000	67,876,000	+34.9
Capital expenditures	60,226,000	57,653,000	+ 4.5
Stockholders' equity	649,756,000	626,494,000	+ 3.7
Equity per common share	22.31	21.68	+ 2.9
Outstanding common shares at year end	28,698,300	28,459,100	+ .8
Number of common stockholders at year end	71,883	70,994	
Average number of employees	45,900	48,300	

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Columbia University

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CORPORATE DATA

EXECUTIVE OFFICES: 277 Park Avenue, New York, N.Y. 10017

COMMON STOCK DATA: Transfer and Dividend Disbursing Agent, First National City Bank, 111 Wall Street, New York, N.Y. 10015; Registrar, Bankers Trust Company, 16 Wall Street, New York, N.Y. 10015; stock listed on the New York Stock Exchange.

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MESSAGE TO SHAREHOLDERS AND EMPLOYEES

The plans we laid down in late 1969 to streamline our worldwide operations and assume steady growth for our Company began to take effect during 1970. The result was an improvement in operational efficiency that countered the effects of an economic downturn, and an upgrading of facilities that gives promise of further gradual gains in 1971 and beyond.

As we anticipated, sales declined following the planned shutdown of operations in selective areas of our business. This led to a more efficient utilization of our existing facilities, and a consequent improvement in profitability. Our net income, before extraordinary items, per dollar of sales increased to 2.9 cents from 2.7 cents in 1969. The uptrend was most evident in our dairy operations. Their share of total operating income increased from 24% in 1969 to 28% in 1970 while at the same time their share of total Company sales declined from 39% to 36%.

The above comparisons, as well as figures throughout this Report, reflect the financial consolidation in 1970 of our significant overseas subsidiaries. Because the consolidation revises all outstanding financial data on the Company for years prior to 1970, figures in the text, charts and tables of the Report have been restated. The restatements will enable shareholders and other interested members of the financial community to review the performance trend of Borden as a multinational company.

The consolidation recognizes the increasing importance of our international operations, and places them on an equal footing with our domestic divisions in terms of disclosure, accountability, and their management responsibilities. The consolidation is another step in the transition of Borden from a domestic company, with operations abroad, to a multinational company. There are 9,600 employees in our overseas subsidiaries and affiliates, all but 13 of whom are nationals of the countries in which they work.

In my Message in the 1969 Annual Report, I announced the intention to deploy our investments to higher profit and growth areas, including some new fields of interest. This is being done: In February, 1971, we signed an agreement to acquire a processor and refiner of cane sugar. Overseas, we initiated joint ventures with several major companies in Japan, entered the printing ink field, and expanded our interests in the bakery business and in chemicals.

This program of selective growth will continue at a rapid pace. Studies and plans are under way to map out still broader areas to which we can extend our experience and expertise as a marketing and distribution company. Technology has brought the production methods of American industry to a high level of efficiency, and narrowed the advantage that one company has over another. But marketing and distribution are largely organizational skills, and these we believe Borden has to offer in exploring new opportunities for growth.

We wish to express to the men and women of the Borden organization, the members of the board of directors, and the shareholders our appreciation for their generous efforts and support during the past year.

A. R. Marusi

Chairman and President
February 23, 1971

AUGUSTINE R. MARUSI

BORDEN DAIRY AND SERVICES	1970	1969
Sales (in Millions)	$656	$745
% of Total Sales	36%	39%
Operating Income (in Millions)	$ 36	$ 29
% of Income from Operations	28%	24%

Operating income of Borden Dairy and Services improved from a year earlier although sales declined. Sales amounted to $655,606,000, down from $744,517,000 in 1969. The Division's share of total corporate sales decreased from 39% to 36%. Operating income rose 23% to $35,652,000 from $28,918,000, accounting for 28% of the corporate total, compared with 24% in the previous year.

The sales decline resulted from the closing, during late 1969 and early 1970, of unprofitable and marginally profitable plants under the Company's realignment of facilities.

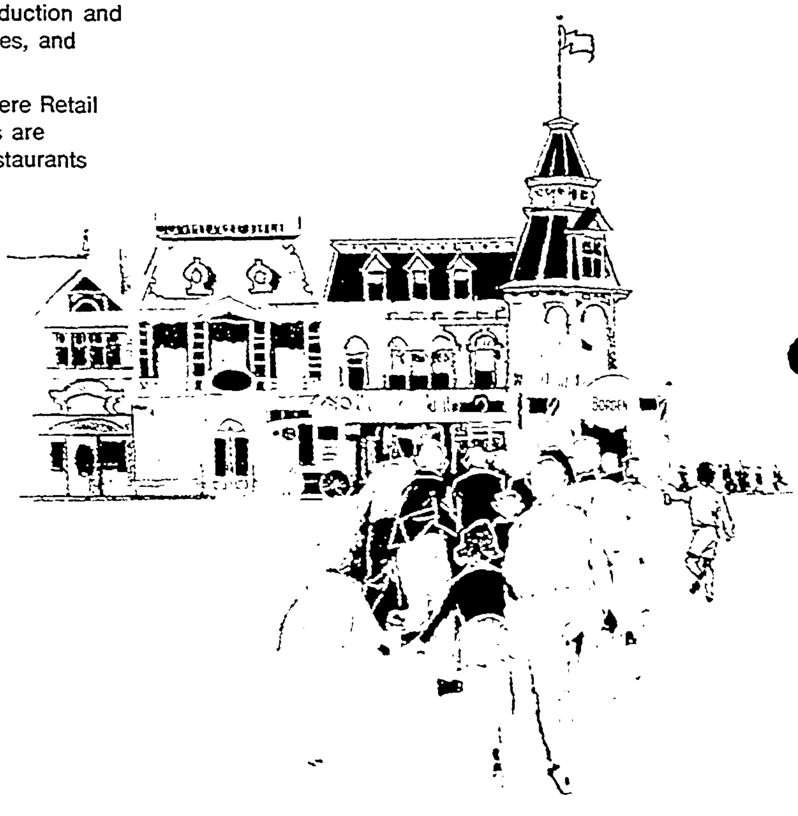
The closings, and in other markets the consolidation of dairy operations at more efficient facilities, had the effect of substantially improving the Division's profitability. Also contributing to the profit performance of dairy operations were a cost-reduction program; a better product mix, with emphasis on higher-margin items; the extension of business into new market areas, in part through the use of brokers; improved distribution methods, including more extensive warehouse delivery of specialties, and the introduction and market-expansion of new products, new packages, and new ice cream flavors.

Adding to the sales and profits of the Division were Retail Food Service operations, whose financial results are included with those of dairy operations. BBF restaurants had a very satisfactory year.

In a major marketing development, reflecting the Company's intent to expand its dairy business in those areas offering the greatest potential, Borden milk and dairy products were introduced in the Atlanta, Ga., market, the second-largest market in the Southeast and one of the fastest-growing urban centers in the United States.

Elsie Stix frozen novelties, test-marketed in Florida during 1969, were introduced in all Borden ice cream markets in late spring. In place of conventional wooden sticks, Elsie Stix have plastic sticks of a unique, open-patterned design that can be interlocked to create a variety of structural toys. Lite-Line milk, a low-fat product with more protein than regular milk, was made available throughout all operations in quart-size containers. Half gallons of ice cream in round containers, which are gaining increased consumer acceptance, were introduced in several Southwestern markets during the year and will be extended to additional areas in 1971.

Borden has been designated "official supplier of milk and dairy products" to Walt Disney World, the first phase of which, a 2,500-acre "Vacation Kingdom," will open in October, 1971, near Orlando, Fla. The Company has also contracted to sponsor a Borden Main Street Ice Cream Parlor in the entertainment center's "Magic Kingdom," a



theme park that will be similar in size and features to Disneyland in California. Borden will also sponsor an ice cream kiosk and several ice cream carts that will be located throughout the theme park.

As "official supplier," the Company will provide visitors to Walt Disney World not only with milk and ice cream, but also with yogurt and other milk specialties, cheese, evaporated and condensed milk, and canned Frosteds.

At year end, a new ice cream manufacturing plant, with an annual capacity of one million gallons, was under construction at Tupelo, Miss. It will replace a 50-year-old downtown facility. Completion is scheduled for the first quarter of 1971. An expansion of ice cream capacity at Oklahoma City, Okla., was also in process at year end, and will be finished by April, 1971.

The Company withdrew from the milk business in the New York Metropolitan Area in January, closing its processing plant at Ozone Park, N.Y., and from the milk and ice cream business in Northern California in February, selling five plants and 13 branches there to Knudsen Corp. Dairy products carrying the Borden brand continue to be available in Northern California under a licensing agreement. Eight other dairy facilities were closed during the year, seven of them in the Midwest, but in all instances service in their respective market areas was maintained from nearby branches.

The Company's Retail Food Service operations were expanded during the year in both size and area. BBF, the chain of limited-menu, sitdown restaurants, added 17 new units, increasing the total to 66 at year end. Operations were extended to Florida with the opening of two restaurants on that state's East Coast. A number of new units was under construction at the close of the year, and others will get under way during 1971. BBF now operates in Ohio, Kentucky, West Virginia and Florida.

The Company is sponsoring a Borden Main Street Ice Cream Parlor at Walt Disney World, the first phase of which, a 2,500-acre "Vacation Kingdom," opens in October, 1971, near Orlando, Fla. Borden has been designated "official supplier of milk and dairy products" to Walt Disney World.

BORDEN FOODS	**1970**	**1969**
Sales (in Millions)	$642	$610
% of Total Sales	35%	32%
Operating Income (in Millions)	$ 46	$ 45
% of Total Income from Operations	36%	37%

Sales and operating income of Borden Foods reached all-time highs in 1970.

Sales amounted to $642,157,000, or 35% of the corporate total, up from $609,807,000 in 1969, when they accounted for 32% of Company sales. Operating income, representing 36% of the corporate total, was $45,738,000, up from $44,569,000 in the previous year, when the contribution was 37%.

Sales of cheese improved substantially from a year earlier owing to an expanded marketing effort; brand-name items, which carry higher margins than bulk or private label sales, accounted for a high proportion of the increase. Sales of convenience foods were above those of the previous year. Sales were adversely affected, but margins were aided, by the closing of two unprofitable facilities in late 1969 and early 1970, respectively, and by the withdrawal from the marketing of nonfat dry milk.

The decline in spendable consumer income adversely affected sales of snack foods and other higher-priced items. At the same time, higher costs for raw materials and labor, applied to a smaller volume of these goods, brought a narrowing of profit margins. A high carryover of inventories from the 1969 bumper crop of beets, beans, tomatoes and certain fruits depressed selling prices for these products throughout the canning industry. Dollar volume and margins declined as a result.

A score of new products was introduced by the Division during the year, most of them on a test basis in selected markets.

Comstock introduced Green Beans with Tomatoes in the New York Metropolitan Area, Syracuse, N.Y., and Detroit, Mich., and Pineapple-Coconut pie filling in Upstate New York. Bama began testing Tart & Creamy mayonnaise, salad dressing, and sandwich spread, and marketed a new pancake and waffle syrup in four cities within its distribution area. Two potato snacks, Star Lites by Wise and Hot Potatas by Old London, also went into test markets.

Five new baked confections were introduced by Drake's in its East Coast marketing area: Snodels, Sno-Dings, Sunny Doodles, Vanilla Ring Dings, and Vanilla Ring Ding Jrs. Four new varieties of 4-oz. cheese dips — Pizza, Barbecue, Blue, and Relish — were added to the four original varieties introduced in 1969. The full line is now being marketed in the South and East. Calo Select, an all-meat premium dog food, was placed in New England markets.

The Division's Can and Machinery operations developed an improved 36-pocket can tester, capable of leak-testing 600 cans per minute at a pressure of 90 pounds per square inch. The previous model had a capacity of 450 cans per minute, at 30 pounds' pressure.

Supplementing the introduction of new products was the extension of several of the Division's operations into new marketing areas. Bama products went on sale in South Florida and Colorado, increasing its distribution area to 23 states. Sacramento tomato juice was distributed for the first time in Southern California and in Boston.

Late in the year, a military sales force was established to service domestic commissaries. The force will handle more than 200 food products, covering the full range of the Division's operations, on a single-order basis. The volume of food business conducted by domestic military commissaries is exceeded only by that of the three largest food chains.

An extensive program of plant construction, expansion and modernization was carried out by the Division during the year.

Drake Bakeries began operation of a new manufacturing plant at Wayne, N.J., in April, and opened a new distribution center at Mansfield, Mass., in July. The new facilities absorbed the manufacturing and distribution operations formerly conducted at Roxbury, Mass. The Roxbury plant, built in 1906, could not be expanded to meet the demands of the New England market for Drake products and was closed in July.

A multi-million-dollar renovation of a former evaporated milk plant at Chester, S.C., converted the facility into a manufacturing plant for Cremora non-dairy creamer. It went into production in December. Cremora production at Arcade, N.Y., was shifted to Chester, and the 65-year-old Arcade plant was closed.

A new clam-shucking plant for Snow's was constructed at Cape May, N.J. Additional equipment for cooking and packaging potato chips was installed at the Wise plant at Berwick, Pa. Major waste-disposal facilities were put in place at the Red Creek and Waterloo, N.Y., plants of Comstock.

At year end, a $12,200,000 plant was under construction at Northbrook, Ill., a Chicago suburb. It will more than double the existing production and warehousing facilities for Wyler's products. Upon completion, scheduled for early 1972, the plant will replace Wyler's present facility in Chicago.

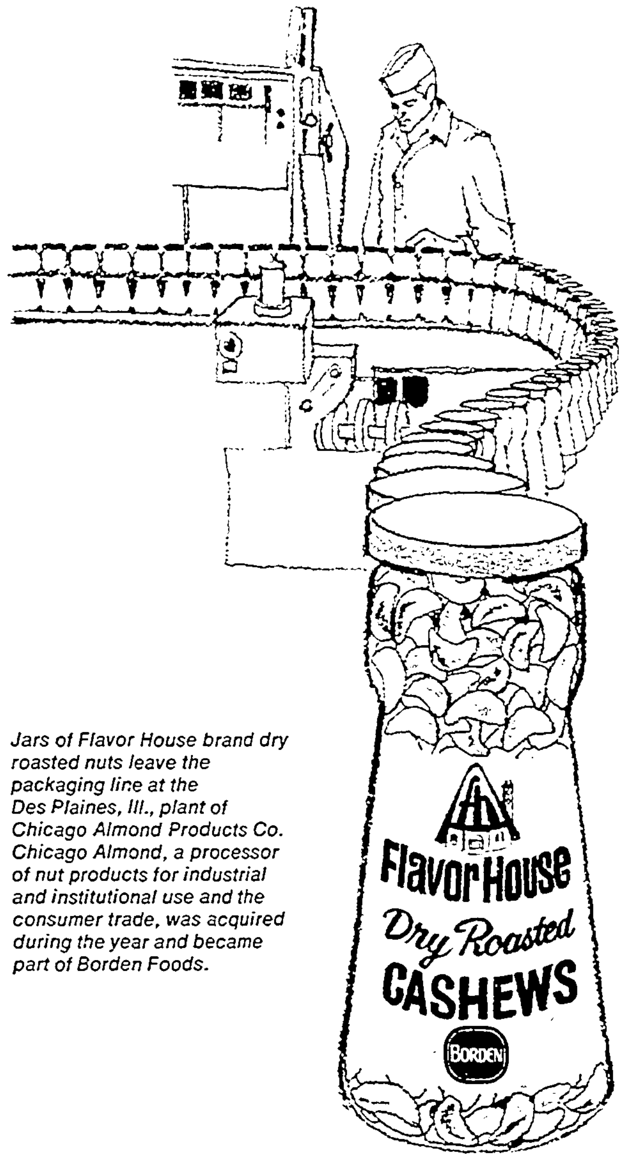
The Division withdrew from the mushroom business in February, selling the growing and packing facilities at West Chester, Pa., and the rights to the Brandywine trade name. A plant at Los Angeles, Calif., manufacturing refrigerated biscuits, was closed in December.

The Division's operations were extended into new areas of the food field during the year with the Company's acquisition of two well-established concerns: Deran Confectionery Company, Inc., and Chicago Almond Products Co.

Deran manufactures and markets a full line of popular-priced candy ranging from mints, caramels, and hard candy to quality, boxed chocolates. These are sold through variety, grocery and department stores under such brand names as Deran, H. L. Hildreth, and Country Kitchen.

Deran has its headquarters in Cambridge, Mass., and manufacturing facilities there and in North Grosvenor Dale, Conn.

Chicago Almond Products, founded in 1932, has its headquarters and plant in Des Plaines, Ill. The company manufactures and processes nut products for institutional and industrial use and for the consumer trade, the latter principally under the Flavor House brand. Its major consumer line consists of dry roasted nuts in jars, which are broadly distributed.



Jars of Flavor House brand dry roasted nuts leave the packaging line at the Des Plaines, Ill., plant of Chicago Almond Products Co. Chicago Almond, a processor of nut products for industrial and institutional use and the consumer trade, was acquired during the year and became part of Borden Foods.

BORDEN CHEMICAL	1970	1969
Sales (in Millions)	$381	$382
% of Total Sales	21%	20%
Operating Income (in Millions)	$ 30	$ 30
% of Income from Operations	23%	25%

Sales and operating income of Borden Chemical in 1970 were maintained at approximately the levels of a year earlier. Sales amounted to $381,310,000, or 21% of the corporate total, compared with $381,839,000 in 1969, when they accounted for 20% of Company sales. Operating income was $29,586,000, against $30,084,000 the year before, and the Division's share of Borden operating income, 23% compared with 25%.

More favorable conditions in the fertilizer industry, combined with a shutdown of four unprofitable units, helped the fertilizer group make a notable improvement in 1970. An increase in feed grain acreage in the Midwest boosted demand for mixed fertilizers and ammonia, which led to a firming of prices on higher volume for these products. A substantial percentage of the fertilizer sales formerly generated by the closed plants was shifted to more efficient operations, thus adding further to profitability.

The Division performed well as compared with the chemical industry, in spite of factors that limited its performance, including the severe impact of the trucking strike in the spring and the General Motors strike in the fall, a downturn in housing starts early in the year, and a slowdown in general business. Contributing to the performance were substantially lower maintenance costs and increased production of petrochemicals, which offset a softening of prices; greater sales of major consumer products lines, and continued growth in volume of thermoplastics, packaging films, and graphic arts materials.

Sales of vinyl wallcoverings for both consumer and commercial applications rose, reflecting a continuing trend toward patterned wall decoration and the availability of new designs and textures.

Sales of Elmer's Glue-All and other adhesives, Mystik pressure-sensitive tapes, and Krylon spray paints were at all-time highs. Deeper market penetration and the introduction of several new products accounted for the improvement. Among the new national entries were Elmer's Super Fast epoxy glue; a clear, waterproof, pressure-sensitive Mystik Tape for repairing and reinforcing hard and soft plastics; Krylon paints for snowmobiles; Krylon high-performance cleaning compounds for automotive engines, and 15 new patterns of Lintex tablecloths and yardgoods.

Supported by expanded production facilities and new formulations, the Division's Resinite operations experienced their best year to date, strengthening Borden's position as the leading supplier of polyvinyl chloride (PVC) film for in-store wrapping of meats and produce.

The Division further improved its position as a supplier of PVC products through the sale of new compounds and resins for use in blow-molded bottles, siding, pipe and conduit; and new resins and latices for use in carpet backing and foam backing. Sales of printing inks increased, as did sales to the foundry industry, aided by the introduction of specialty products.

The Division's capital improvement program reflected both its growing volume of business and its expanding range of activities within the chemical field. Four new plants were built and three existing facilities were substantially enlarged during 1970; at year end, a new plant was under way and ten installations were in the process of expansion.

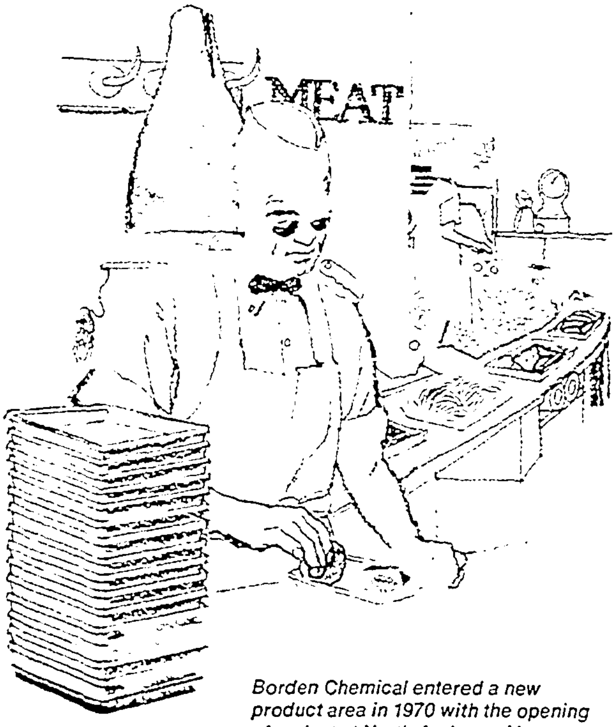
The Division entered a new area of the chemical business with the opening late in the year of a plant at North Andover, Mass., for the manufacture of polystyrene foam sheet. The material is being converted at the facility into molded meat trays, of which the Division is the first New England-based supplier. The foam plant is the first major project to be completed under the Division's New Business Ventures Program, initiated in 1969. Under the program, New Business Ventures departments within several operations of the Division are investigating new market opportunities related to their current business.

A new formaldehyde plant, the Division's tenth in the United States, and a new resins plant were completed at Missoula, Mont. Output of the 80-million-pound-a-year formaldehyde plant will be marketed as well as consumed by Borden in the manufacture of urea and phenolic resins. The facilities will serve customers in eastern Oregon and Washington, and in Idaho, Wyoming, and Montana.

Two major new plants were completed at the chemical complex at Leominster, Mass.: a plant for the manufacture of polyvinyl chloride (PVC) bottle compounds, and a plant for the manufacture of styrene/butadiene latex, used as a binder in paper coatings.

Output of styrene/butadiene latex was increased further with the addition of manufacturing facilities at Illiopolis, Ill. Other significant expansions completed during the year were dimethyl ether facilities at Geismar, La., and fertilizer facilities at Texas City, Texas.

Resins capacity was enlarged with the installation of reactors at Demopolis, Ala., and Springfield, Ore. At Bainbridge, N.Y., a new filling line was added for Elmer's Glue-All, along with equipment for blow-molding plastic bottles. In response to increased demand for vinyl-coated wallcoverings, a multi-phase equipment modernization program was undertaken at Columbus, Ohio, which saw the installation of a high-speed, multicolor production printer and of equipment for applying flocking material to printed substrates. Previously, the flocking operation had been handled by an outside converter. Facilities for printing plastic rolls were enlarged and modernized at Orangeburg, N.Y.



Borden Chemical entered a new product area in 1970 with the opening of a plant at North Andover, Mass., for the manufacture of polystyrene foam sheet. The sheet is converted at the plant into molded meat trays, of which the Division is the first New England-based supplier.

At year end, the Division's eleventh formaldehyde plant was under construction at Louisville, Ky. Upon its scheduled completion in the first quarter of 1971, the 70-million-pound plant will lift the Division's productive capacity for the chemical above one billion pounds annually. Also under way at the site is a urea-formaldehyde resins plant that is to be completed by the fourth quarter of 1971.

Output of PVC resins will be increased substantially with the completion by September, 1971, of added facilities being installed at Illiopolis and Leominster. Expansion of facilities for PVC bottle compounds is also under way at Leominster and will be in operation by October, 1971. At Philadelphia, addition of a large-scale reactor and support facilities, which will permit a significant increase in specialty chemicals production, will be operational during the second quarter of 1971.

The Division's position as a leading supplier of animal feed supplements will be enhanced with the addition of facilities for manufacturing defluorinated phosphate at Plant City, Fla. They are scheduled to be in production during the first quarter of 1971.

The second phase of the expansion program for wallcovering materials at Columbus will be completed by next summer. The first phase of a five-year growth program for Mystik Tapes at Northfield, Ill., is scheduled for completion during the first quarter of 1971.

As part of its capital expenditures program, the Division completed pollution-control projects at Springfield, Ore., and at Diboll and Texas City, Texas, and initiated several others, notably at Piney Point, Fla.; Geismar, La., and Bainbridge, N.Y.

The Division consolidated at other locations the four fertilizer operations that were closed: Albert Lea and Fairmont, Minn.; Sioux City, Iowa, and Columbus, Ohio.

In 1971, the Division will begin construction of two major new facilities. One is an ink plant at Baltimore, Md., and the other is a Resinite PVC film plant, at a site to be selected. The ink plant will be in operation by the end of the year; the PVC film plant is targeted for completion during the first quarter of 1972.

BORDEN INC. INTERNATIONAL	1970	1969
Sales (in Millions)	$148	$156
% of Total Sales	8%	9%
Operating Income (in Millions)	$ 17	$ 16
% of Income from Operations	13%	14%

In recognition of their increasing importance to the Company, the operations of most overseas subsidiaries were consolidated as of Jan. 1. (See Principles of Consolidation, page 21.) The consolidation is another step in the transition of Borden from a domestic company with operations abroad to a multinational company. It also places the overseas subsidiaries on an equal basis with domestic divisions in terms of disclosure, accountability, and their management responsibilities.

Operating income of Borden Inc. International, the Division responsible for the Company's overseas activities, rose to an all-time high. Owing to the withdrawal from the fluid milk business in Puerto Rico, sales declined slightly from the record levels of a year earlier.

Sales amounted to $148,268,000, or 8% of the corporate total, compared with $155,757,000 in 1969, when they accounted for 9% of Company sales. Operating income increased to $16,538,000 from $16,325,000, although their share of the corporate total decreased to 13% from 14%.

Not included in the above results are export sales and operating income, which, although the responsibility of the Division, are credited to the Foods and Chemical Divisions.

More than 60 Borden products new to overseas markets were introduced by the Division in 1970, making it the most active year to date. Most of the products were already in the Borden line and made available for the first time in new markets abroad, either through export from the United States or from countries in which the Company has manufacturing operations. A number of new products tailored to the preferences of local markets was also developed, notably cake items in Germany, snacks in Sweden, and soup mixes, snacks, and cheese in Spain. There was also a substantial build-up of sales to U.S. military installations overseas.

Established Borden products entering new countries included Resinite PVC packaging film in Japan, bouillon cubes in Panama, Elmer's Glue-All in Mexico, Frosteds and Calo pet foods in Puerto Rico, Borden-brand retail meats in Australia, and instant potatoes in Spain.

The introduction of several new cheese items to Puerto Rico strengthened Borden's position as a leading supplier of cheese at retail in the Commonwealth.

Weber in Germany developed 12 new cake items. Gallina Blanca in Spain marketed ten newly developed products, including Quendal cheese, which established Borden successfully in the cheese business in that country. Old London-Wasa in Sweden introduced four new products of its own manufacture. C. O. Mason in Puerto Rico, International Portion Foods in Australia, and Ross-Henderson in Ireland added a number of items to their lines of portion-controlled meats.

As a marketer of food products in more than 130 countries, the Division has underway several research projects directed toward modifying or fortifying the nutritional content of foods to meet the specialized requirements of peoples in underdeveloped areas.

The Division achieved a major breakthrough into the Japanese market during the year by entering into the final stages of three joint ventures with leading Japanese companies. These were:

• Kawasaki-Borden Machinery Company, Ltd.: in partnership with Kawasaki Steel Corporation and Kawasaki Heavy Industries, Ltd. (50% ownership by the two Japanese companies), to manufacture and assemble the Borden line of can-making and can-testing equipment.

• Hitachi-Borden, Inc.: in partnership with Hitachi Chemical Company, to manufacture and sell Resinite PVC film.

• Kabaya-Borden, Inc.: in partnership with Kabaya Confectionery Company, to manufacture and sell Cracker Jack confection and Campfire marshmallows.

At year end, three additional Japanese joint ventures were in varying stages of formation:

• Gaska-Borden, Inc.: in partnership with Japan Gas-Chemical Co., to manufacture and sell phenol-, urea-, and melamine-formaldehyde thermosetting resins for woodworking, foundry, and other industrial applications.

• Meiji-Borden, Inc.: in partnership with Meiji Dairy Co., to manufacture and sell cheese products and other related dairy and food products.

• Nicheri-Borden, Inc.: in partnership with Nippon Reizo, to import and sell frozen portion-controlled meat products supplied by a Borden subsidiary in Australia, International Portion Foods.

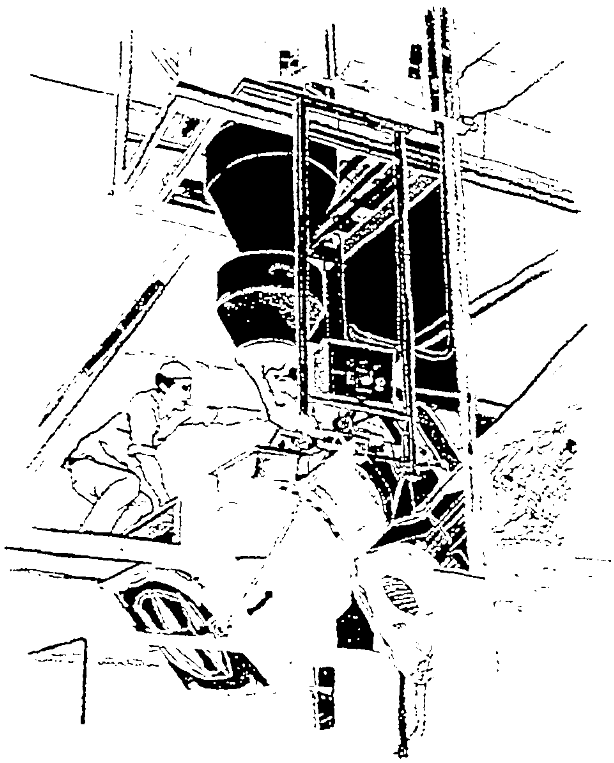
To meet the needs of its growing worldwide business, the Division substantially increased its production facilities during the year. It also set in motion long-term building projects.

A unit to produce hexamethylenetetramine, which is used as a curing agent in resins, went into operation at Melbourne, Australia, in January. April saw the completion of a second formaldehyde plant at Pilar, Argentina, which added 9,000 tons to annual capacity at that location.

Chemical plant expansions completed in 1970 included Resinite facilities at Gjoevik, Norway; Southampton, England, and Sydney, Australia — the last for the manufacture of shrink film; and formaldehyde facilities at Curitiba and Cubatao, Brazil, where capacity was increased by 35 tons a day. Production of bakery goods in Germany and of snack foods in Sweden was materially expanded with the installation of new equipment.

Eight capital-improvement projects were under way at year end, one of them representing a wholly new area of business for the Division. In Norway, work began on a plant to produce polystyrene foam. Initially, the output will be converted at the facility into molded meat trays, with the product line eventually expanded to include other packaging goods and disposable items for the institutional trade. Start-up of the plant, which will have an initial capacity of close to one million pounds of polystyrene foam annually, is scheduled for April, 1971.

Resinite stretch film will be produced in France for the first time upon the completion during the second quarter of 1971 of a plant at Fecamp; it will have a capacity of 1,000 tons a year. In the Philippines, output of coconut-shell flour will be increased by 1,700 tons annually when new facilities are installed by April, 1971. The flour is used as a filler for synthetic resin adhesives for the plywood industry. New equipment being added at Southampton, England, will boost production of phenol-formaldehyde resins by 4,400 tons per year by June of 1971.



At the modern bakery of Tettamanti, S.p.A., near Como, Italy, ingredients are automatically measured and mixed. A majority of Tettamanti's shares was acquired by Borden early in 1971, and the bakery's operations were assigned to Borden Inc. International.

Among expansion projects in process at year end by the Division's foods operations were facilities for cooked portion-controlled meats at Dublin, Ireland, and for soups and caldo (a concentrated broth) near Barcelona, Spain. Start-up of the expanded Irish facilities is expected by June, and of the Spanish facilities by December, of 1971.

In January, 1971, the Division's productive capacity for formaldehyde and resins was increased by 12,000 tons annually with the acquisition by Alba, S.A., a Borden affiliate in Brazil, of certain of the capital assets and business of a company in Rio Cotia, Brazil. Bakery operations were extended to Italy early in 1971 with the acquisition of a majority of the shares of Tettamanti, S.p.A., which has a modern plant near Como. Tettamanti produces sweet snacks, biscuits, bread sticks, and fresh pastries.

Expansion of facilities will take place in 1971 in England, for thermoplastics; Norway, for polystyrene-foam disposable products and Resinite; Australia, for portion-controlled frozen meats: Germany, for bakery products, and Ireland, for portion-controlled meats. Storage facilities at the snack foods plant in Sweden will be substantially enlarged, as will the warehouse and shipping facilities of the food plant in Spain.

To more fully develop overseas market opportunities without distinction as to products, and to provide closer executive supervision of operations, Borden Inc. International was restructured along primarily geographic lines as of Jan. 1, 1971. Four new divisions were established, each under the direction of a president with headquarters on location in his area.

Borden Europe is responsible for the Company's food and chemical operations in eight European countries. Headquarters are in Brussels, Belgium. Borden South America, operating from headquarters in Caracas, Venezuela, will direct the Company's food and chemical operations in South America. Borden Far East, with headquarters in Tokyo, Japan, is responsible for the Company's chemical and food operations in Australia and the Philippines, and for the projected joint ventures in the Japanese market. Borden Pan America, from headquarters in New York City, will direct Borden food and chemical operations in the Caribbean and Panama. It will also be responsible for all export activities of the Company, including milk powder operations in Ireland and Denmark, and for all licensing arrangements outside the United States.

From its formation in July, 1968, Borden Inc. International had been directed through two principal product groups, foods and chemicals. The restructuring was necessitated by the subsequent expansion of overseas activities, particularly the entry into the Japanese market, and facilitated by the financial consolidation in 1970 of most of the Division's operations.

In a related move, operations of The Borden Chemical Company (Canada) Ltd. were transferred from Borden Chemical to Borden Inc. International as of Jan. 1, 1971. Upon the transfer, all chemical operations of the Company outside the United States, including export, came under the control of one Division, thus providing maximum coordination of the Company's chemical interests in world markets.

CHANGES IN BOARD

William F. Oliver, president of Amstar Corp., was elected to the board of directors at the Annual Meeting on April 15. He submitted his resignation effective at the regular meeting of the board on Dec. 15.

Shelton E. Fisher, president of McGraw-Hill, Inc., was elected a director on July 28.

Roy D. Wooster, former chairman of Borden, Inc., was named a director emeritus on April 15.

CHANGES IN MANAGEMENT

Carlton E. Spitzer, a public affairs counselor and former director of information for the U. S. Department of Health, Education and Welfare, was elected vice president for public affairs of the Company, effective May 11.

John B. Nimons, formerly director of corporate purchasing, was elected vice president for corporate purchasing, effective June 1.

Clayton J. Rohrbach, Jr., formerly a group vice president of the Borden Foods Division, was elected a vice president of Borden, Inc., and president of the Milk-Based and Specialty Food Groups of Borden Foods, effective Oct. 1.

Members of the Office of the President, clockwise from bottom: Augustine R. Marusi, Chairman and President; Walter R. Olmstead, Executive Vice President; Eugene J. Sullivan, Executive Vice President, and Howard H. Ward, Vice President-Finance.

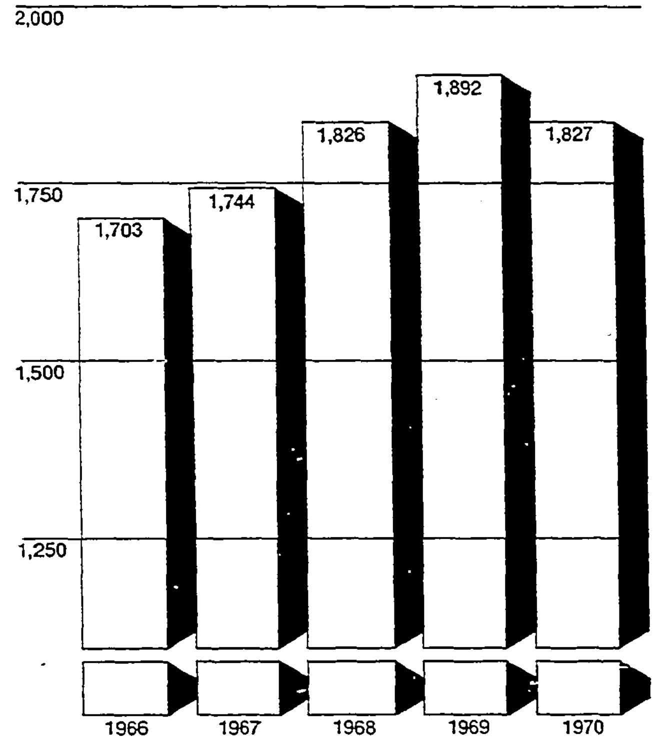
FINANCIAL REVIEW

SALES

Sales in 1970 declined from the record levels of a year earlier, but the decrease resulted from the closing of unprofitable or marginally profitable plants. Sales generated by facilities that were in operation at year end were higher than in 1969.

Worldwide sales totaled $1,827,341,000, a decline of 3.4% from $1,891,920,000 in the previous year.

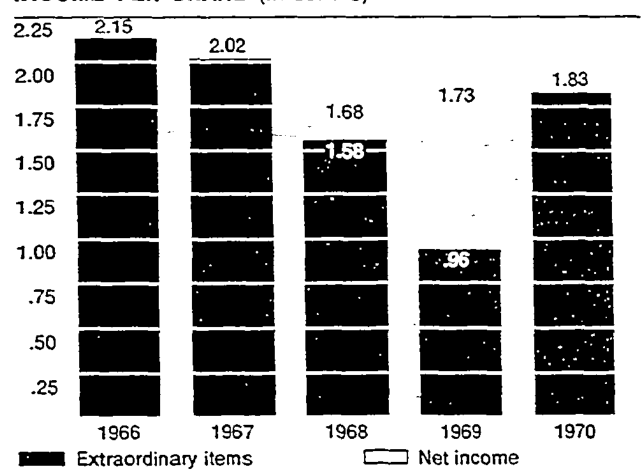
SALES (in millions)

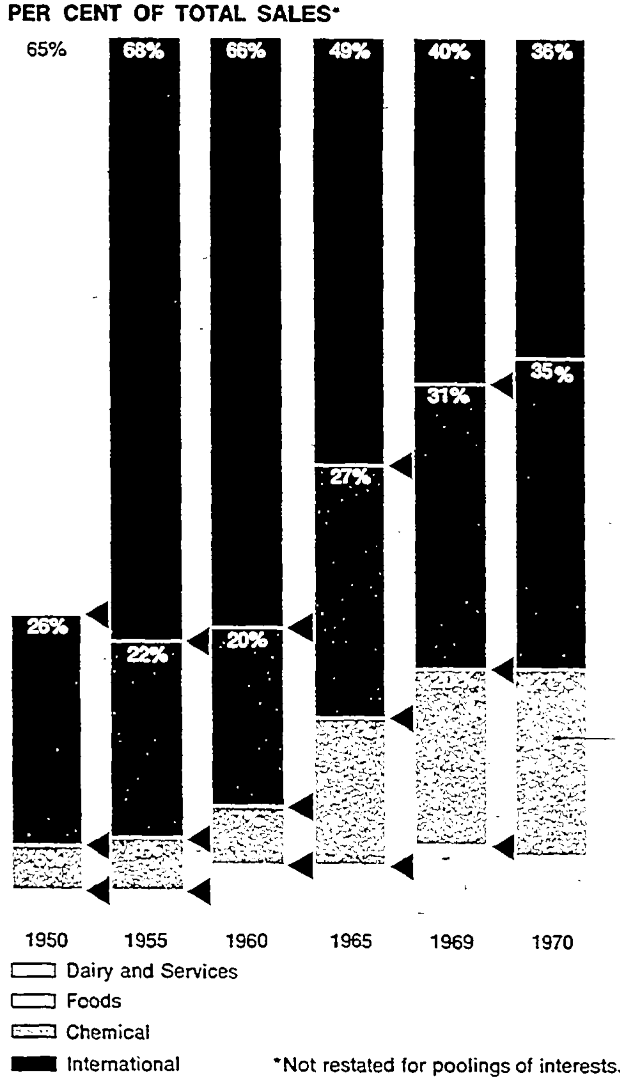


INCOME

Net income in 1970 increased 5.4% from 1969's income before extraordinary items, despite the decline in sales. Income benefited from a realignment of facilities and a reduction in the U.S. income tax surcharge. Net income was $52,986,000 compared with $50,254,000 income before extraordinary items in 1969. Earnings per share on a comparable basis were $1.83 on 29,001,594 average number of common shares and equivalents during the year, against $1.73 on 28,977,006 average number of common shares and equivalents during the year 1969. Net extraordinary items of $22,450,000 after taxes, equal to $.77 per share, reduced 1969 net income to $27,804,000 or $.96 per share.

INCOME PER SHARE (in dollars)





SALES TREND BY BUSINESS AREA

Primarily a dairy company during its first century, Borden in the past decade has become a broadly diversified multinational dairy, food and chemical company.

The relative growth of the food and chemical sectors of Borden business during the 1960's accounted for the decline in dairy products' share of Company sales. In absolute terms, dairy sales reached an all-time high in 1968. The sharp drop-off in the relative contribution of dairy sales in 1969 and 1970 reflects the further growth of other sectors, notably foods, and, in 1970, the effects of the Company's realignment of facilities, which mainly affected dairy operations.

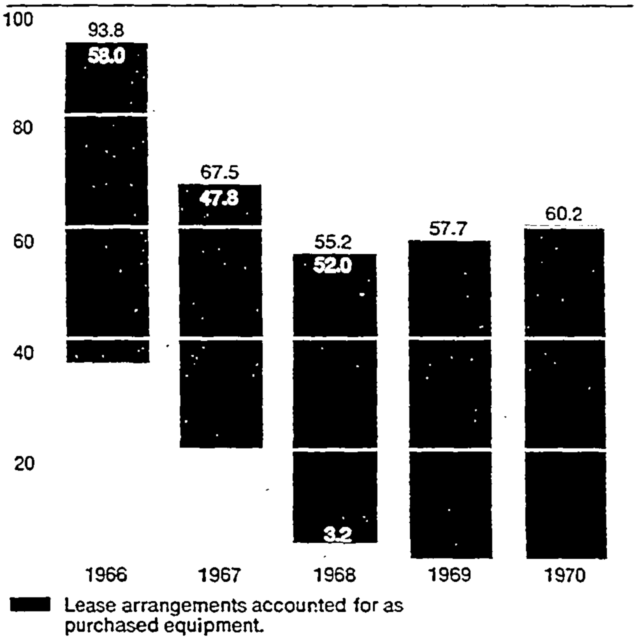
Because the dairy plants that were closed were unprofitable or only marginally profitable, the Company's program of realignment of facilities had its intended effect of improving the dairy operations' contribution to operating profits, despite the decline in sales (table below).

SALES AND INCOME BY BUSINESS AREA

(Dollars in Thousands)

	Sales				Income			
	1970		1969		1970		1969	
	$	%	$	%	$	%	$	%
Dairy and Services	655,606	36	744,517	39	35,652	28	28,918	24
Foods	642,157	35	609,807	32	45,738	36	44,569	37
Chemical	381,310	21	381,839	20	29,586	23	30,084	25
International	148,268	8	155,757	9	16,538	13	16,325	14
Total	1,827,341	100	1,891,920	100	127,514	100	119,896	100
Other income and expenses not allocable to operations, and taxes					74,528		69,642	
Income before extraordinary items					52,986		50,254	
Extraordinary items					—		(22,450)	
Net income					52,986		27,804	

CAPITAL EXPENDITURES (in millions)



DIVIDENDS

Cash dividends on common stock of $34,263,652 or $1.20 per share were paid in 1970, as compared with $33,816,088 or $1.20 per share in 1969. The December dividend was the 243rd consecutive payment and completed 72 years of uninterrupted dividends since the Company was incorporated in 1899.

CAPITAL EXPENDITURES

Approximately $60,226,000 was invested in 1970 in new property and equipment. Of this amount, depreciation, depletion and amortization provided $38,599,000. Fixed assets of $6,541,000 were also added through acquisitions, and leases were effected in 1970 for $8,400,000 of equipment, primarily motor vehicles and ice cream cabinets.

BORDEN, INC.

CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED DECEMBER 31 1970	1969
NET SALES	$1,827,340,818	$1,891,919,950
COSTS AND EXPENSES:		
Cost of goods sold	1,477,495,416	1,544,548,567
Selling, general and administrative expenses and other charges	250,764,986	249,741,545
Other (income) and expense, net	(10,891,262)	(14,960,039)
Interest expense (includes interest expense on leases — $3,139,542 in 1970 and $3,675,011 in 1969)	13,529,056	15,003,041
United States and foreign income taxes	43,456,549	47,332,765
	1,774,354,745	1,841,665,879
INCOME BEFORE EXTRAORDINARY ITEMS	52,986,073	50,254,071
Extraordinary items:		
Anticipated costs and expenses in connection with facilities realignment program, less applicable income tax reduction of $40,000,000	—	(34,150,000)
Gain on sale of Company's headquarters building (less anticipated relocation costs), less applicable income tax of $2,800,000	—	11,700,000
	—	(22,450,000)
NET INCOME	$ 52,986,073	$ 27,804,071
Average number of common shares and equivalents outstanding during the year	29,001,594	28,977,006
Per share:		
Income before extraordinary items	$ 1.83	$ 1.73
Extraordinary items	—	(.77)
Net income	1.83	.96
Cash dividends on common stock	1.20	1.20

See accompanying Notes to Consolidated Financial Statements.

BORDEN, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE TWO YEARS ENDED DECEMBER 31, 1970

	CAPITAL STOCK ISSUED				
	PREFERRED SERIES A	COMMON	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
Balance, December 31, 1968 as previously reported		$107,795,430	$180,803,840	$334,470,478	$ 9,011,386
Poolings of interests	$1,772,812		(1,788,602)	1,969,778	
Consolidation of International Operations and recording of 50% owned companies on equity basis			112,204	17,754,493	
Balance, December 31, 1968 as restated	1,772,812	107,795,430	179,127,442	354,194,749	9,011,386
Net income				27,804,071	
Cash dividends—Borden, Inc.				(33,816,088)	
—Pooled company				(9,000)	
Exercise of stock options—48,858 shares		183,218	735,935		
Adjustments of prior year pooling			92,562		
Stock repurchased for Treasury—90,425 shares					2,375,585
Balance, December 31, 1969 as restated	1,772,812	107,978,648	179,955,939	348,173,732	11,386,971
Net income				52,986,073	
Cash dividends				(34,263,652)	
Use of Treasury stock for acquisitions—337,900 shares			(4,179,645)		(11,009,989)
Stock repurchased for Treasury—98,700 shares					2,291,059
Balance, December 31, 1970	$1,772,812	$107,978,648	$175,776,294	$366,896,153	$ 2,668,041

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

ASSETS	December 31 1970	1969
Current Assets		
Cash (including time deposits)	$ 85,577,646	$ 69,257,312
U.S. Government and other marketable securities (at cost which approximates market)	29,421,377	25,681,697
Receivables (less allowance for doubtful accounts)	200,601,147	199,826,718
Inventories (at lower of cost or market)		
Finished and in-process goods	184,595,330	175,753,216
Raw materials and supplies	68,931,061	68,680,606
Total Current Assets	569,126,561	539,199,549
Investments and Other Assets		
Investments in and advances to 50% owned companies (at cost plus equity in undistributed income)	16,856,454	16,286,550
Miscellaneous investments and receivables (at cost or less)	42,232,573	33,301,862
Deferred charges	13,243,062	14,632,459
	72,332,089	64,220,871
Property and Equipment (at cost)		
Land	32,946,234	27,669,912
Buildings	198,422,546	192,933,499
Machinery and equipment	496,599,201	490,517,016
	727,967,981	711,120,427
Less — Accumulated Depreciation	294,552,874	286,967,501
	433,415,107	424,152,926
Intangibles resulting from business acquisitions (principally at cost at dates of acquisition)	116,921,335	115,921,436
	$1,191,795,092	$1,143,494,782

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES	December 31 1970	1969
Current Liabilities		
Payables	$ 162,983,562	$ 152,487,822
Accrued taxes and other liabilities	69,131,083	43,134,222
Current maturities of long-term debt (less debentures repurchased)	13,735,548	12,421,842
Total Current Liabilities	245,850,193	208,043,886
Long-Term Debt	219,136,377	225,594,251
Deferred Federal Income Taxes	30,712,588	19,786,630
Facilities Realignment and Relocation Reserves	27,115,041	45,855,499
Foreign Operations and Other Reserves	9,424,899	8,570,477
Minority Interests in Consolidated Subsidiaries	9,800,128	9,149,879

STOCKHOLDERS' EQUITY	1970	1969
Capital stock—		
Preferred stock — no par value		
Authorized 5,000,000 shares		
Issued Series A Convertible — 472,750 shares	1,772,812	1,772,812
Common stock — $3.75 par value		
Authorized 60,000.000 shares		
Issued 1970 and 1969 — 28,794,306 shares	107,978,648	107,978,648
Paid-in capital	175,776,294	179,955,939
Retained earnings	366,896,153	348,173,732
	652,423,907	637,881,131
Less common stock in Treasury (at cost)—96,006 shares in 1970; 335,206 shares in 1969	2,668,041	11,386,971
Total Stockholders' Equity	649,755,866	626,494,160
	$1,191,795,092	$1,143,494,782

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	YEAR ENDED DECEMBER 31	
	1970	1969
CASH AND MARKETABLE SECURITIES		
End of year	$ 114,999,023	$ 94,939,009
Beginning of year	94,939,009	88,444,096
Net Increase in Cash and Marketable Securities	$ 20,060,014	$ 6,494,913
FUNDS PROVIDED		
Operations:		
Net income	$ 52,986,073	$ 27,804,071
Extraordinary items (net of taxes)	—	22,450,000
Depreciation, depletion and amortization	38,598,787	40,072,336
Deferred income taxes	1,672,706	4,833,803
Total Funds Provided from Operations	93,257,566	95,160,210
Facilities realignment and relocation programs (net)	22,334,943	22,975,349
Normal property disposals, net of accumulated depreciation*	1,869,601	7,807,918
Market value of stock issued for purchases of businesses	6,830,344	—
Proceeds from common stock issued under stock option plans	—	919,153
Total Funds Provided	124,292,454	126,862,630
FUNDS APPLIED		
Cash dividends	34,263,652	33,825,088
Decrease in working capital other than cash and marketable securities*	(13,662,563)	(2,977,588)
Reduction in long term debt (net)	6,457,874	14,524,084
Capital expenditures	60,226,261	57,653,000
Purchases of businesses	7,525,850	—
Common stock purchased for Treasury	2,291,059	2,375,585
Other	7,130,307	14,967,548
Total Funds Applied	104,232,440	120,367,717
Net Increase in Cash and Marketable Securities	$ 20,060,014	$ 6,494,913

*Excludes changes attributable to the facilities realignment and relocation programs.

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Borden, Inc. and its significant subsidiaries. Commencing in 1970, the Company extended its consolidation practice to include all significant foreign subsidiaries and adopted the policy of carrying investments in 50% owned companies at cost plus equity in undistributed income. Heretofore, foreign subsidiaries, other than Canadian subsidiaries, were excluded from consolidation and, together with 50% owned companies, were carried at cost on the consolidated balance sheet.

For comparative purposes, 1969 financial statements have been restated to reflect these changes which had the effect of increasing retained earnings at December 31, 1969 by $15,462,000, income before extraordinary items by $1,857,000 and extraordinary items by $4,150,000; and decreasing net income by $2,293,000 ($.08 per share).

In connection with consolidation of the foreign subsidiaries, the Company established out of its equity in the accumulated earnings of the foreign subsidiaries a reserve for foreign operations in an amount of $8,000,000. The reserve will be used to absorb abnormal losses from foreign currency devaluations and other causes.

After translation into equivalent United States dollars, subsidiaries outside the United States and Canada contributed the following amounts to the consolidated financial statements:

	1970	*1969*
Net sales	$137,120,000	$144,182,000
Company's equity in:		
Income before extraordinary items	8,832,000	8,343,000
Extraordinary items	—	(4,150,000)
Net income	8,832,000	4,193,000
Net assets	51,466,000	44,203,000

The assets and liabilities of subsidiaries outside the United States have been translated at year-end exchange rates except that property and equipment and related depreciation have been translated at approximate rates prevailing when the assets were acquired. Income and expense amounts have been translated at average rates prevailing during the year except for depreciation which was translated at the approximate rates prevailing when the depreciable assets were acquired.

The Company's equity in undistributed earnings of 50% owned companies is included in other income and amounted to $1,678,000 in 1970 and $1,415,000 in 1969. Minority interests in income of consolidated subsidiaries of $1,493,000 and $1,164,000 in 1970 and 1969 respectively, have been included in selling, general and administrative expenses.

(2) COMPANIES ACQUIRED: During 1970 the net assets of Chicago Almond Products Co. were obtained in exchange for 472,750 shares of the Company's Preferred Stock — Series A. This transaction was accounted for as a pooling of interests and accordingly the accompanying financial statements have been restated to reflect the pooling. This combination did not significantly affect the results of operations for any year.

In addition, certain other companies were acquired during 1970 for a total of $750,000 and 337,900 shares of the Company's Common Stock. These transactions were accounted for as purchases and accordingly their results of operations are included in the 1970 financial statements from the respective dates of acquisition. The Company's consolidated results of operations for 1970 and 1969 would not significantly change had the results of operations of the purchased businesses been included for the entire years.

(3) EARNINGS PER SHARE: Earnings per share amounts shown on the accompanying Consolidated Statement of Income have been computed based on the weighted average number of shares of Common Stock and equivalents outstanding during the respective years, after giving full retroactive effect to the shares issued in poolings of interests.

(4) LONG-TERM DEBT AND LEASE OBLIGATIONS: Long-term debt outstanding at December 31, 1970 is as follows (dollars in thousands):

	Long-Term	*Due Within One Year*
Sinking fund debentures:		
2⅞%, due 1981	$36,250	$ —
7¾%, due 1984	1,350	75
4⅜%, due 1991	40,000	2,000
5¾%, due 1997	75,000	—
Debentures repurchased	(4,509)	(2,000)
Promissory notes:		
6½%, due 1972	3,653	—
5¼%, due 1974	6,100	600
5⅜%, due 1981	7,700	800
8½%, due 1985	6,933	—
Other borrowings	6,352	1,196
Principal amount of capitalized leases.	40,307	11,065
	$219,136	$13,736

Certain plant and equipment for which the Company has entered into lease arrangements is accounted for as purchased equipment. Repayments of such leases are enumerated below under "Capitalized Leases."

Certain properties (exclusive of capitalized leases) used in the Company's operations are leased under arrangements which provide for minimum annual rentals as listed under "Rentals" in the following table.

Aggregate maturities of long-term debt, principal payments on capitalized leases and minimum rentals on other properties leased for three or more years are as follows (dollars in thousands):

Year	Long-Term Debt**	Capitalized Leases	Rentals
1971	$ 2,778	$11,065	$16,364
1972	6,380	11,663	14,950
1973	4,853	11,381	12,772
1974	9,698	9,775	10,318
1975	5,031	5,009	7,079
1976-1980*	33,945	2,479	17,620
1981-1985*	61,803	—	6,791
1986-1990*	28,762	—	2,287
1991 and beyond*	28,250	—	390

*Figures represent combined totals for all years
**Net of debentures repurchased

(5) FEDERAL INCOME TAXES: United States and foreign income tax expense for 1970 in the accompanying Consolidated Statement of Income includes $31,453,000 for current taxes and $12,004,000 for deferred taxes.

The principal differences in income for financial statement and for income tax purposes result from: (a) Realization of tax reductions associated with the facilities realignment program (which was recognized for financial reporting purposes in 1969) and (b) Additional deductions available through the use of accelerated methods of depreciation for tax purposes.

The accumulated differences between taxes recognized for financial reporting purposes and those payable to date are shown as deferred federal income taxes in the accompanying Consolidated Balance Sheet.

Investment tax credits amounting to $400,000 in 1970 and $1,750,000 in 1969 have been applied in the accompanying financial statements as reductions in income tax expense. Offsetting the reduced investment credit was a reduction in the U.S. income tax surcharge from 10% in 1969 to an effective rate of 2.5% in 1970, which reduced income tax expense in 1970 by $2,814,000.

United States income taxes are provided on dividends received from foreign subsidiaries. United States income taxes have not been provided on undistributed earnings of foreign subsidiaries inasmuch as the Company presently has no intention to repatriate any significant amount of such funds.

(6) STOCKHOLDERS' EQUITY: The 472,750 shares of Preferred Stock — Series A, issued in 1970, are entitled to receive annually until January 14, 1976, cumulative dividends per share of one-half the per-share Common Stock dividend or $.60, whichever is greater. Thereafter the dividend will be determined by the Board of Directors, but in no event will be less than $.60 per share.

The Series A Preferred Stock is convertible into an equal number of Common shares as follows:

Period of Convertibility	Shares
December 15, 1973-January 14, 1974	157,583
December 15, 1974-January 14, 1975	157,583
December 15, 1975-January 14, 1976	157,584

Shares not converted into Common Stock during the above periods may be called by the Company after January 14, 1976 and an equal number of Common shares issued therefor. The involuntary liquidating value of these shares is $9,455,000.

As of January 1, 1970, 235,563 shares of Common Stock of the Company were reserved for unexercised stock options at prices ranging from $15.82 to $44.82 per share. In April 1970, the Stockholders approved the 1970 Stock Option Plan in which 300,000 shares were made available for future grants. During 1970, options to purchase 180,400 shares at prices ranging from $20.07 to $26.50 per share were granted, options for 87,292 shares expired or were cancelled, leaving 328,671 shares reserved for unexercised options at prices ranging from $15.82 to $39.38 per share as of December 31, 1970. In January, 1971, options to purchase 13,940 shares at $39.38 per share expired. At December 31, 1970, 183,100 shares were available for future grants.

At December 31, 1970, 472,750 shares of Common Stock were reserved for conversion of Preferred Stock — Series A.

(7) DEPRECIATION, DEPLETION AND AMORTIZATION: Depreciation, depletion and amortization of property and equipment charged to operations amounted to $38,599,000 in 1970 and $40,072,000 in 1969. In general, depreciation is recorded in the accounts of the Company over the estimated useful lives of the assets in equal annual instalments. Average depreciation rates in 1970 were 3% for buildings and 7% for machinery, equipment, etc.

(8) RETIREMENT PLANS: The charges to operations under the Company's retirement plans, which cover those employees who are not members of collective bargaining units as well as certain employees who are members of such units, were $4,644,000 in 1970 and $7,263,000 in 1969 (including amortization of prior service costs over a 30-year period). *The decrease in the pension expense* in 1970 is attributable to changes in actuarial assumptions. The Company's policy is to fund amounts equal to pension costs accrued. The actuarially computed value of vested benefits under the plans as of April 1, 1970 exceeded the total pension funds and balance sheet accruals by approximately $7,774,000. Operations were charged approximately $3,008,000 in 1970 and $4,180,000 in 1969, consisting of payments to pension trusts on behalf of certain employees covered by collective bargaining units who have not elected to participate in the Company's plans and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

(9) CONTINGENCIES: The Company was guarantor of loans aggregating approximately $25,000,000 at December 31, 1970.

(10) PROPOSED ACQUISITION: The Company and North American Sugar Industries Incorporated entered into an agreement whereby the Company would acquire through a wholly-owned subsidiary the business of North American Sugar effective as of January 1, 1971. Consummation of the merger is subject to, among other conditions, approval by the Stockholders of North American Sugar and receipt of a favorable tax ruling from the Internal Revenue Service.

The terms of the merger agreement provide for the issuance of one share of a new $1.32 cumulative Convertible Preferred Stock, Series B, no par value, of the Company for each outstanding share of common stock of North American Sugar (688,700 shares outstanding at January 1, 1971). Each share of Preferred Stock, Series B, will bear an annual cumulative dividend of $1.32, will be convertible into 1.1 shares of the Company's Common Stock after one year and one day following completion of the transaction, and will be entitled to an involuntary liquidation value of $28.88.

OPINION OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE & CO.

60 BROAD STREET
NEW YORK 10004

February 23, 1971

Board of Directors and Shareholders of
Borden, Inc.

We have examined the consolidated balance sheet of Borden, Inc. as of December 31, 1970 and the related consolidated statements of income, stockholders' equity and source and application of funds for the year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 1 to the consolidated financial statements, the Company extended its consolidation practice in 1970 to include all significant foreign subsidiaries and adopted a policy of carrying investments in 50% owned companies at cost plus equity in undistributed income.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1970, the results of their operations and the source and application of funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the changes described above, which we approve.

The financial statements of Borden, Inc. for the year 1969 were examined by other independent accountants.

Price Waterhouse & Co.

BORDEN, INC.

FIVE-YEAR FINANCIAL SUMMARY

(All dollar and share figures in thousands — except market price and per share statistics)

SALES, INCOME and DIVIDENDS	1970	1969	1968	1967	1966
Net Sales	$1,827,341	$1,891,920	$1,825,890	$1,744,366	$1,702,789
Income before Extraordinary Items	$ 52,986	$ 50,254	$ 48,590	$ 58,238	$ 60,539
Net Income	$ 52,986	$ 27,804	$ 45,818	$ 58,238	$ 60,539
Percent of Income before Extraordinary Items to Sales	2.9%	2.7%	2.7%	3.3%	3.6%
Percent of Net Income to Sales	2.9%	1.5%	2.5%	3.3%	3.6%
Per Share of Common Stock and Equivalent:					
Income before Extraordinary Items	$1.83	$1.73	$1.68	$2.02	$2.15
Net Income	$1.83	$ .96	$1.58	$2.02	$2.15
Dividends Declared per Common Share	$1.20	$1.20	$1.20	$1.20	$1.20

FINANCIAL STATISTICS					
Capital Expenditures	$ 60,226	$ 57,653	$ 55,149	$ 67,477	$ 93,801
Depreciation, Depletion and Amortization	$ 38,599	$ 40,072	$ 37,037	$ 35,934	$ 31,678
Current Assets	$ 569,127	$ 539,200	$ 502,345	$ 510,458	$ 428,643
Current Liabilities	$ 245,850	$ 208,044	$ 171,109	$ 170,538	$ 176,971
Working Capital	$ 323,277	$ 331,156	$ 331,236	$ 339,920	$ 251,672
Current Ratio	2.3:1	2.6:1	2.9:1	3.0:1	2.4:1
Long-term Debt	$ 219,136	$ 225,594	$ 240,119	$ 253,432	$ 169,257
Debt-to-Equity Percent	34%	36%	38%	41%	29%
Stockholders' Equity	$ 649,756	$ 626.494	$ 634,182	$ 621,839	$ 592,639
Equity per Common Share	$22.31	$21.68	$21.92	$21.45	$20.65

STOCKHOLDERS' DATA					
Average Number of Common Shares and Equivalents Outstanding	29,002	28,977	28,979	28,834	28,188
Outstanding Common Shares at Year End	28,698	28,459	28,501	28,547	28,240
Market Price of Common Stock:					
At Year End	$27	$23	$34	$35	$31
Range for Year	$17-27	$22-35	$28-38	$30-42	$28-41
Number of Common Stockholders	71,883	70,994	71,421	74,505	70,853

EMPLOYEES' DATA					
Payrolls	$ 333,700	$ 339,800	$ 322,800	$ 303,100	$ 290,600
Average Number of Employees	45,900	48,300	48,900	47,700	47,900